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North Korea - Internal

Like the ROK government, the North Korean government is authoritarian and dominated by a single individual

- Unlike the ROK, it is also totalitarian.
- The society is remarkably closed, perhaps uniquely so.
- We know very little about the political pecking order and not much more about internal policy processes and problems.

Nevertheless we have been able to perceive some of the political repercussions of economic problems. We also see signs of a succession problem.

Late in 1972 Kim instituted a series of changes resulting in

- a new constitution
- a consolidated government structure
- a purged and reorganized party.

All of these changes, and the mass campaign that accompanied them, seemed to be closely linked to the difficulties North Korea was encountering in carrying out its economic plans. They also seemed to be intended to increase Kim's personal control and intensify the extraordinary adulation with which he is treated.

The succession problem applies to Kim Il-sung himself -- he is 63 and not very well, ^{It also applies} and to Kim's small group of long-time associates -- like him veterans of the post World War II period.

Over the years, Kim has given high position to members of his own family to a degree unusual in a Communist state. It now appears that he wants his son Kim Chong-il -- aged 36 -- to succeed him.

We believe the President has been pursuing this effort for at least the last three years. But we do not know how far the campaign has gone.

- Within Party circles it appears that Kim Chong-il is being given authority and prestige almost equal to his father's.
- We believe that media references to the Party Center are indeed references to Kim Chong-il. But he is never mentioned by name in the press or on the radio as the President's successor or in any other capacity.
- There is some evidence also of at least passive resistance in the party to the idea that Kim Chong-il should succeed his father.

We have no clues as to which of the middle level figures will rise to the top to replace the President's immediate subordinates.

-- This spring the prime minister and the defense minister resigned because of ill health. But they were replaced by men nearly as old as they.

Meanwhile the postponement of the Sixth Party Congress from 1976 to 1977 suggests that in North Korea also there may be considerable uncertainty over these and other issues.

Although economic shortfalls frequently appear to be a source of political tension, North Korea has made significant economic progress since the Korean War. Like South Korea, it ranks among the more advanced of the LDCs. North Korean statistics are highly suspect and our independent data is very limited. Our best judgment is that

- Industrial production has grown at an annual rate of roughly 10 percent over the past decade or so.
- Agricultural production has kept pace with population expansion.
- The two Koreas produce roughly the same amount on a per capita basis.

Living standards in North Korea are no better, and perhaps are more austere, than in the South.

- Supplies of food and clothing are adequate but not abundant.
- Grain is still being rationed.
- Housing is tight despite substantial progress since 1955.

The North has drawn on superior natural resources -- coal, iron ore, and hydroelectric power to develop its industrial base.

-- Its industrial output consists primarily of steel, nonferrous metals, fertilizer, cement and heavy machinery.

-- Light industry barely keeps pace with subsistence needs.

-- Development of a petrochemical industry is underway.

North Korea's most remarkable industrial achievements, however, have been in the field of military production. We will be returning to this subject later when we discuss the military balance on the peninsula. The priority given to military production, however, obviously affects the pace of development in the civilian industrial sector.

-- We know that under the current Six Year Plan, construction of key civilian industrial facilities is far behind schedule.

-- A number of factors are responsible, including foreign exchange difficulties. It is apparent that the demands on domestic investment resources of the military machine building sector have also played a significant part in the shortfall.

Kim Il-sung talks constantly of self-sufficiency. North Korea's success at industrialization, however, has fluctuated with its ability to acquire foreign industrial equipment and technology.

- The USSR and China contributed to the success of the Five-Year Plan, completed in 1960. This created a rudimentary industrial base emphasizing heavy industry. ~~Soviet suspension of aid~~ ^{But} in the early '60s ^{the USSR suspended aid because} North Korea sided with Peking in the Sino-Soviet dispute. ^{This was} ~~was~~ a major factor in postponing the completion of the ambitious Seven Year Plan by three years.
- With the initiation of the current Six-Year Plan in 1971, Pyongyang began trying to reduce its dependence on the USSR and China by purchasing industrial plants and related equipment from Western Europe and Japan.
- Since 1970, such purchases have amounted to more than \$600 million.

However, beginning in 1973, North Korea began to encounter serious balance of payments problems.

- In 1974, it was unable to finance its hard currency deficit and became the first Communist country to default on a large scale with Western creditors.
- As a result of persisting massive defaults, Japan and a number of West European countries have suspended further credit guarantees for North Korea.
 - Some suppliers have stopped equipment deliveries until back payments are made.

- Other suppliers are demanding substantial down payments for new purchases.
- North Korea has been unable to obtain hard currency relief from the Communist countries.

There is some evidence that Pyongyang is seeking additional aid from the Soviet Union, the only feasible Communist supplier for most of the high technology equipment it wants.

- Thus far, the USSR has done little more than declare a five year moratorium on North Korea's repayment of Soviet credits.
- In a new agreement signed in February 1976 no new aid projects were mentioned, though the level of Soviet-North Korean trade reportedly would be 40% more in the next five years than during 1971-75. There also have been reports of some additional Chinese aid in the form of cancellation of past debts and perhaps some credits for additional petroleum purchases.
- In general, Sino-Soviet aid committed thus far appears too meager to enable North Korea to meet the goals of its new Seven Year Plan.